Dairy Situation

Economics, Statistics, and Cooperatives Service

U.S. Department of Agriculture

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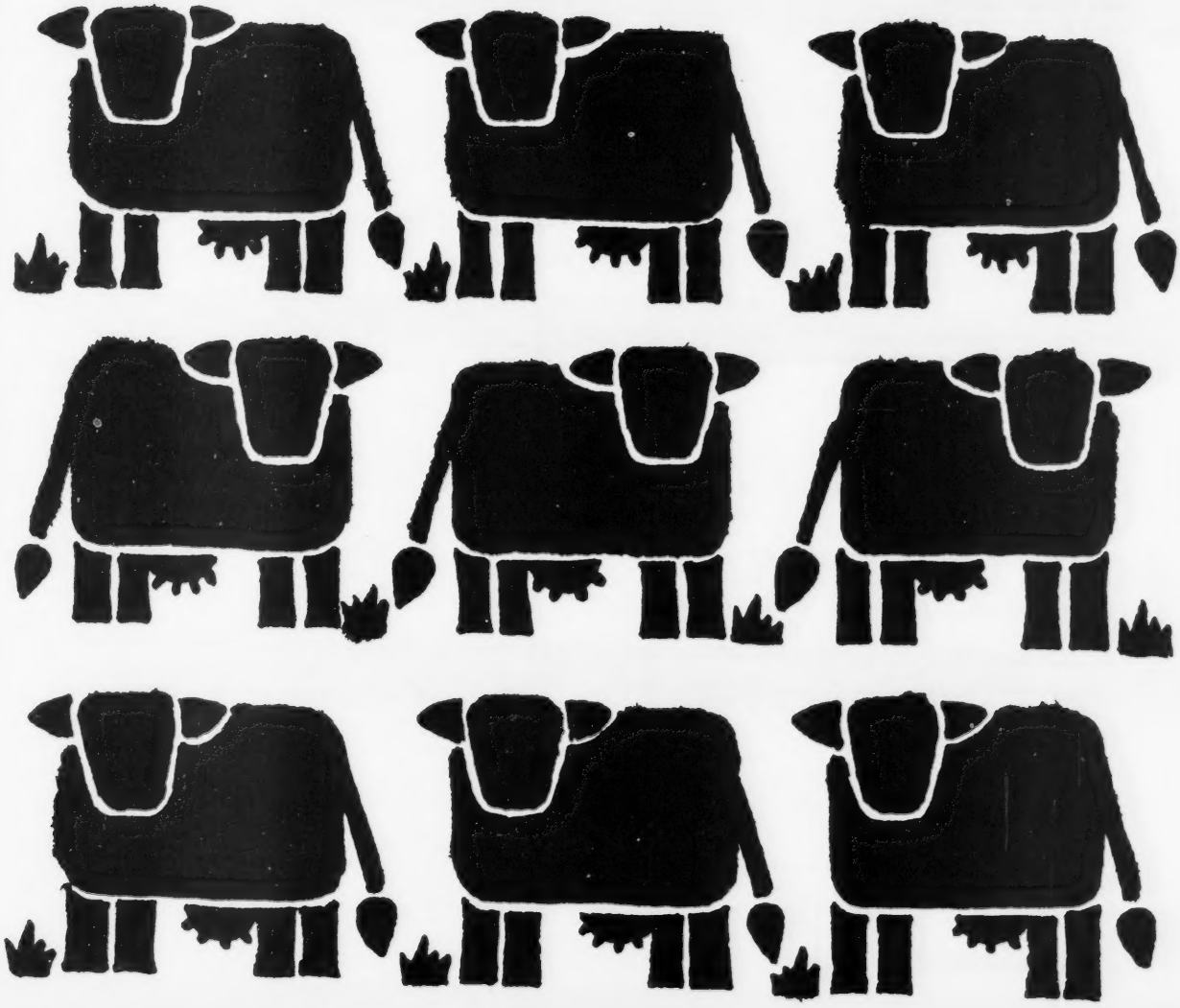
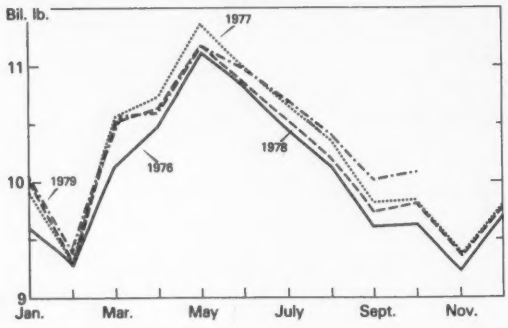
Approved by the World Food and Agricultural Outlook and Situation Board



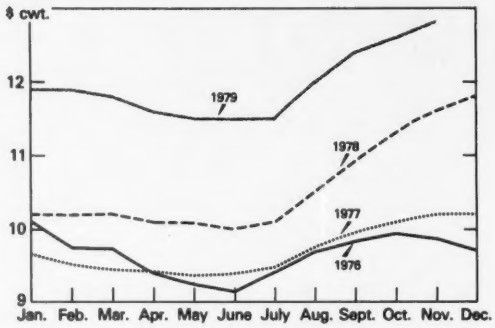
U.S. Milk Production by Months



USDA Neg. ESCS 5498-79 (12)

Figure 1

Milk Prices*



*U.S. average price received by farmers for deliveries to plants and dealers.

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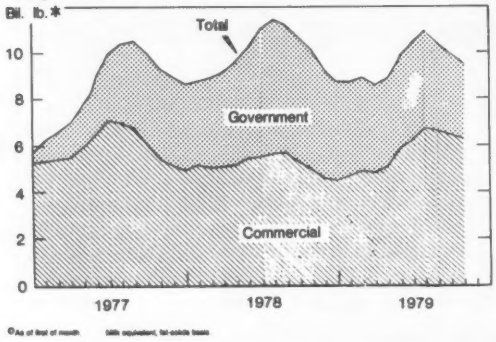
Figure 2

Dairy Product Stocks○



○As of first of month *Milk equivalent, fat-solids basis

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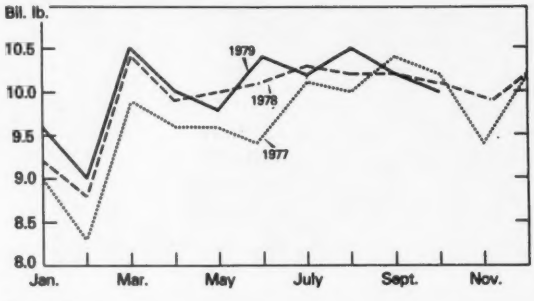
Figure 3

Commercial Disappearance of Milk in All Products*



*Milk equivalent.

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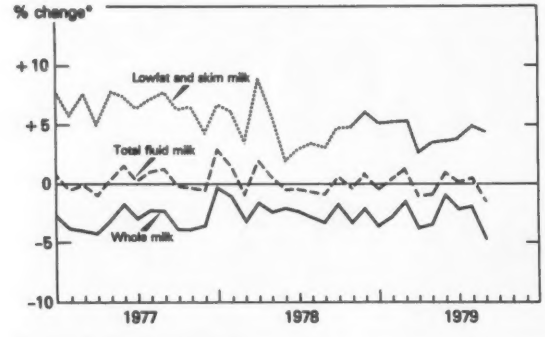
Figure 4

Daily Average Sales of Fluid Milk Items

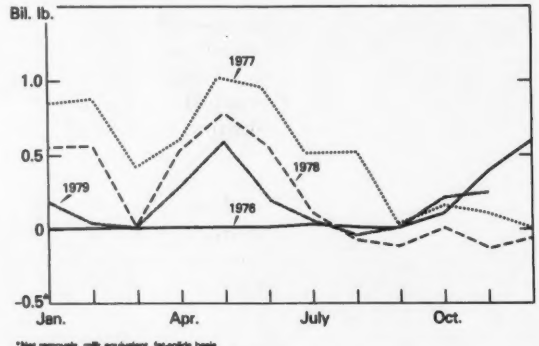


*From year earlier, adjusted for calendar composition.

USDA Neg. ESCS 2705-79(12)

Figure 5

USDA Dairy Product Purchases*



*Net removals, milk equivalent, fat-solids basis.
○Negative figures denote domestic sales exceeded purchases.

USDA Neg. ESCS 8448-79(12)

Figure 6

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SUMMARY

The milk production increases that characterized the latter half of 1979 likely will continue at least through mid-1980. This larger milk output, relatively large commercial stocks of dairy products, and a possible weakening in demand due to the economic slowdown will moderate year-to-year price increases during the first half of 1980 and hold wholesale dairy product prices near the support purchase levels. Consequently, Commodity Credit Corporation (CCC) purchases under the price support program in 1980 will increase substantially over this year's small removals. Although year-to-year increases in farm milk prices probably will not match the strong price gains of 1979, milk-feed price relationships should remain relatively favorable. This is expected to result in heavy concentrate feeding and further increases in output per cow that more than offset small declines in cow numbers.

Milk output in 1980 may be about 1 percent larger than this year's expected 123½ billion pounds.

October 1979 milk production increased 2½ percent over last year, as a 3.3-percent increase in

The *Dairy Situation* is published in March, May, July, October, and December.

output per cow outweighed a cow number decline of about 0.7 percent. The major producing states of Wisconsin, California, and New York accounted for three-fourths of the total increase. Production increases and relatively large commercial stocks have moderated year-to-year increases in farm milk prices. During November, farmers received an average $12.80 per hundredweight, about a tenth higher than a year ago. Manufacturing grade milk prices were about a penny below the support level when adjusted for fat test. Farm milk prices for 1979 may average about 14 percent higher than the 1978 average of $10.58 per hundredweight. For all of 1980, farm milk prices will probably average 9 to 11 percent higher, with the largest gains occurring in the second half of the year.

With larger marketings and higher prices, 1979 cash receipts from dairying will exceed $14½ billion, up from the record $12.7 billion posted in 1978. As both gross receipts and costs rose at similar rates, net income for dairymen likely approximated the favorable situation of 1978. The slowing of milk price increases in early 1980, along with continued increases in production costs, means the net income outlook, though still favorable, may not be as favorable as in the first half of 1979.

The combination of increased milk production and relatively large commercial stocks has resulted in generally steady to slightly lower wholesale dairy product prices since early October. Wholesale prices of butter, block and barrel cheese, and nonfat dry milk are at or near their respective support purchase prices and CCC purchases in October-November were substantial for this time of year. Milk supplies available for manufacturing purposes will remain heavy in the coming months. This likely will hold wholesale prices near support prices during the first half of 1980—except during February and March, when they may rise in anticipation of higher CCC purchase prices on April 1.

During October, retail dairy product prices averaged about 12 percent over a year ago, and for the year may average about 11½ percent higher than in 1978. For 1980, dairy product prices are projected to rise by 8 to 10 percent.

A bill was enacted on November 28 which requires that the support price of milk be set at no less than 80 percent of parity through September 30 1981. It also requires that the support price be adjusted in the middle of the marekting year (on April 1) to reflect changes in the Index of Prices Paid by Farmers (the parity index).

Larger milk production and a shift in the utilization of milk supplies available for manufacturing this fall resulted in year-to-year increases in butter production, while gains in American cheese output eased. The larger supplies of milk available for manufacturing likely will mean increases in both cheese and butter production in early 1980. With American cheese having lost its wholesale price advantage due to the large stocks and uncertain sales prospects, larger diversions to butter-powder operations can be expected to continue.

Although retail dairy prices rose more than prices for all food, commercial use during September-October declined by only about ½ percent from a year ago. A substantial reduction in butter use was mostly offset by continuing strong utilization of cheese. For the entire year, commercial use may top the 1978 record by about 1 percent. Sales of dairy products next year are expected to be at or near 1979 levels, but could be greater if the impacts of the economic slowdown are less severe than now anticipated, or if meat prices are above expectations.

For 1979, preliminary data suggest that per capita consumption of all dairy products will probably post a very small increase over 1978. Increased use of cheese and low fat fluid milk items will outweigh declines in use of other products. Larger USDA donations next year (due to larger CCC purchases) could outweigh any declines in per capita commercial use that may result from slowed economic conditions.

Commercial dairy product stocks substantially surpassed the tight holdings of a year ago on November 1. Contributing to the increase were the larger supplies of milk available for manufacturing and the eased commercial use of certain dairy products.

For 1979, price support purchases by CCC will total about 2 billion pounds on a milk equivalent basis, or a decrease of about a fourth from 1978 calendar year removals. On December 1, uncommitted inventories of butter, while still relatively large, were down 18 percent from a year earlier. Uncommitted stocks of nonfat dry milk, down about a fourth, were at their lowest level since late 1976.

Imports, commercial exports, food-aid shipments to other nations, and shipments to U.S. Territories were all below year-earlier levels. Both world production and consumption of milk and dairy products have increased in 1979, but consumption rose faster due to rising incomes and subsidized sales.

DAIRY SITUATION

SITUATION AND OUTLOOK

PRODUCTION

Milk Output Increases Continue

Milk production began expanding during the summer, following an increase of less than a ½ percent during the first half of the year, and accelerated in the early fall to a year-to-year increase of almost 3 percent in September. October output was about 2½ percent over year-earlier levels. With these gains, and expected increases in November-December, 1979 milk production should total about 123½ billion pounds, or slightly more than 1 percent above 1978 (table 1).

Higher output per cow, coupled with a slowing in the decline of cow numbers, formed the basis for the increase. Output per cow rose above year-earlier levels by 3.4 percent in September and 3.3 percent in October, probably due primarily to two factors: First, dairymen reportedly fed almost 7 percent more concentrates on October 1 than a year earlier, despite higher dairy ration costs than in 1978. The apparent large numbers of replacement heifers which came into production in 1978 are young stock with a greater potential to respond to increased feeding, and are now in full production. Second, favorable weather and pasture conditions in the Upper Midwest prevailed into the early fall.

Increased output per cow by far outweighed declines in cow numbers. Year-to-year decreases in cow numbers slowed during September-October to about 0.6 percent, compared with 0.7 to 0.9 percent for the first 8 months of 1979. The large supply of replacement heifers available on July 1 and the very good pasture conditions in the Upper Midwest which may have reduced dairy herd cullings probably moderated the declines. Also, while total cow numbers in California were constant over the first third of 1979, year-to-year increases in the number of milk cows in that state have averaged close to 4 percent since May.

Almost two-thirds of the States reporting monthly dairy production data recorded increases during September-October, in contrast to early summer, when fewer than half reported output above year-earlier levels. Among regions, the Pacific and Lake States regions posted the highest year-to-year gains of 6.6 percent and 3.8 percent, respectively. Wisconsin, California, and New York—the 3 leading States in milk production—accounted for about 75 percent of the total U.S. increase.

U.S. milk production

Month	1978	1979	Change
	Million pounds		*Percent*
January	9,994	10,035	+0.4
February	9,287	9,379	+1.0
March	10,523	10,555	+.3
April	10,631	10,609	-.2
May	11,178	11,175	0
June	10,851	10,982	+1.2
July	10,534	10,705	+1.6
August	10,213	10,400	+1.8
September	9,733	10,016	+2.9
October	9,832	10,081	+2.5
November	9,364		
December	9,788		
Total	121,928		

Utility cow prices, Omaha

Month	1977	1978	1979
		Dollars per cwt.	
January	22.95	27.59	47.33
February	23.88	29.45	50.81
March	26.67	32.44	52.94
April	27.63	36.94	57.00
May	26.57	39.21	55.51
June	25.64	37.61	50.60
July	25.23	38.09	47.80
August	25.38	37.85	48.33
September	26.12	39.75	49.65
October	24.89	40.46	47.71
November	23.80	39.30	46.49
December	25.02	41.85	
Average	25.32	36.71	

Production Expansion to Be Maintained Into Mid-1980

Milk production likely will remain well above year-earlier levels at least through mid-1980, probably topping first-half 1979 output by about 1½ to 2 percent.

Year-to-year increases in farm milk prices during first-half 1980 will not match the strong price gains of a year earlier, but when combined with

Table 1 --Milk production and factors affecting supply, United States, selected years, 1955-79

Year	Milk cattle on farms, January 1 1/			Milk cows on farms, average during year	Milk production		Average prices received by farmers per 100 pounds		
	Milk cows and heifers that have calved	Milk cow replacements; heifers 500 pounds and over			Per cow	Total	All milk, wholesale	Milk, eligible for fluid market	Milk, manufacturing grade
		Total	Per 100 cows						
	Thou.	Thou.	No.	Thou.	Lb.	Mil. lb.	Dol.	Dol.	Dol.
1955	21,320	6,832	32.0	21,044	5,842	122,945	4.01	4.50	3.15
1960	17,650	5,686	32.2	17,515	7,029	123,109	4.21	4.69	3.25
1965	15,380	4,780	31.1	14,953	8,305	124,180	4.23	4.63	3.34
1966	14,490	4,450	30.7	14,071	8,522	119,912	4.81	5.17	3.97
1967	13,725	4,215	30.7	13,415	8,851	118,732	5.02	5.43	4.06
1968	13,115	4,080	31.1	12,832	9,135	117,225	5.24	5.67	4.22
1969	12,550	3,990	31.8	12,307	9,434	116,108	5.49	5.87	4.45
1970	12,091	3,880	32.1	12,000	9,751	117,007	5.71	6.05	4.70
1971	11,909	3,843	32.3	11,839	10,015	118,566	5.87	6.19	4.86
1972	11,776	3,828	32.5	11,700	10,259	120,025	6.07	6.38	5.08
1973	11,622	3,872	33.3	11,413	10,119	115,491	7.14	7.42	6.20
1974	11,297	3,941	34.9	11,230	10,293	115,586	8.33	8.66	7.13
1975	11,220	4,087	36.4	11,143	10,350	115,334	8.75	9.02	7.63
1976	11,087	3,958	35.7	11,055	10,879	120,269	9.66	9.93	8.56
1977	11,035	3,888	35.2	10,974	11,181	120,269	9.72	9.96	8.70
1978	10,939	3,896	35.6	10,848	11,240	122,698	10.58	10.80	9.65
1979 2/	10,853	3,936	36.3	10,765	11,465	123,400	*11.96	*12.15	*11.04

Year	Dairy ration cost		Milk cow cost		Grain and other concentrates fed to milk cows 3/			Dairy pasture feed condition, as percent of normal	Alfalfa hay prices	
	Value per 100 pounds	Milk-feed price ratio 4/	Price received per head	Milk required to buy a cow	Total fed	Per cow	Per 100 pounds of milk produced		Received by farmers: per ton	Paid by farmers per ton
	Dol.	Lb.	Dol.	Cwt.	Thou. tons	Lb.	Lb.	Pct.	Dol.	Dol.
1955 5/	3.16		146	36	18,664	1,758	30.1	77	22.00	33.70
1960	2.92		223	53	19,821	2,259	32.2	82	21.00	31.60
1961	2.92		224	53	20,916	2,404	33.2	84	21.00	30.90
1962	2.95		221	54	21,617	2,533	34.3	80	21.40	30.60
1963	3.04		215	52	21,858	2,646	35.1	73	23.50	32.90
1964	3.03		209	50	22,464	2,800	35.9	73	24.00	32.60
1965	3.03	1.18	212	50	22,827	2,953	36.7	80	24.00	33.00
1966	3.15	1.30	246	51	22,569	3,000	37.6	78	24.70	33.40
1967	3.23	1.35	260	52	22,790	3,374	38.3	80	23.60	34.08
1968	3.10	1.47	274	52	22,886	3,519	39.1	83	23.00	32.94
1969	3.15	1.54	300	55	23,615	3,726	40.7	82	23.90	34.08
1970	3.28	1.53	332	58	24,870	3,979	42.4	81	24.70	34.69
1971	3.44	1.49	358	61	25,107	4,070	42.4	79	27.10	37.57
1972	3.52	1.52	397	65	25,162	4,298	41.9	80	31.45	40.15
1973	4.88	1.28	496	69	25,042	4,389	43.4	83	41.55	51.65
1974	6.23	1.22	500	60	24,586	4,384	42.6	75	52.58	63.58
1975	6.25	1.31	412	47	24,274	4,357	42.1	79	54.38	66.18
1976	6.31	1.37	477	49	25,083	4,545	41.7	70	60.81	72.16
1977	6.20	1.39	504	52	25,518	4,709	42.1	72	60.57	74.25
1978	6.07	1.53	675	64	26,082	4,806	42.8	76	52.18	5/
1979 2/	6.68	*1.54	*1,031	*86	---	---	---	83	*60.09	5/

1/ Prior to 1965, estimated by Livestock Section, ERS.
2/ Preliminary or estimated.
3/ On farms where milk or cream was sold. Beginning 1966, data are for all farms where milk was produced.
4/ Pounds of 16 percent protein ration equal in value to 1 pound of milk.
5/ Discontinued series.
* Eleven month average.

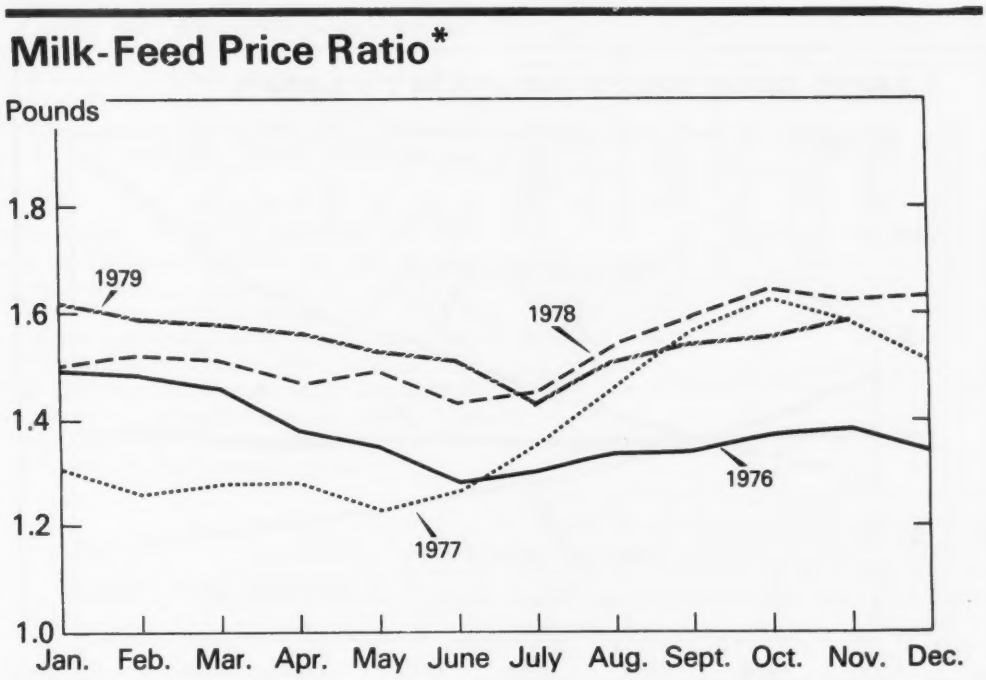
expected moderate year-to-year increases in feed prices will still result in relatively advantageous milk-feed price relationships. This could cause continued heavy concentrate feeding and a continuation of sizable increases in output per cow. Conversely, slaughter cow prices probably will increase from the early December level of $44-$46 and exert pressures for continued declines in cow numbers, which could temper the expected production gains.

For the second half of 1980, milk production will be influenced by whether or not demand for milk and milk products is maintained during the economic slowdown of the first half of the year and by the resulting impact on milk prices. Also affecting second-half output will be the effects of 1980 crop conditions on feed prices and the rate of increase in nonfeed production costs. Feed price increases likely will be moderated by relatively large supplies of feed grains and soybeans, while other production costs likely will increase in line with the overall inflation rate. For all of 1980, milk production is now expected to total about 1 percent more than 1979's 123½ billion pounds. But, dynamic market forces and weather conditions could alter this outlook.

Milk-Feed Price Relationships Still Relatively Favorable

The price of 16-percent protein dairy ration stood at $162 per ton in November, up $19 from a year ago and $2 from September. Although concentrate ration prices were up sharply from 1978 levels, higher farm milk prices helped maintain a favorable milk-feed price ratio of 1.58 in November (figure 7). This compares with 1.62 a year earlier. In November, the difference in value between 100 pounds of milk and 16-percent protein concentrate ration equaled $4.70, an increase of 25 cents from November 1978.

For 1979, returns over the value of concentrates fed per 100 pounds of milk will average about 15 percent higher than the 1978 average of $8. Among other measures of milk-feed price relationships, the milk-feed price ratio for 1979 should equal or exceed slightly last year's average of 1.53, while the difference in value between 100 pounds of milk



*Pounds of 16% protein ration equal in value to one pound of milk sold to plants and dealers.

USDA

Neg. ESCS 40-79 (12)

Figure 7

Milk-feed price ratio[1]

Month	1977	1978	1979
	Pounds		
January	1.31	1.50	1.61
February	1.26	1.52	1.59
March	1.28	1.51	1.58
April	1.28	1.47	1.56
May	1.23	1.49	1.53
June	1.26	1.43	1.51
July	1.35	1.45	1.43
August	1.46	1.54	1.50
September	1.56	1.59	1.54
October	1.62	1.64	1.55
November	1.58	1.62	1.58
December	1.51	1.63	
Average	1.39	1.53	

[1] Pounds of 16% protein ration equal in value to 1 pound of milk.

and 100 pounds of concentrate will average about 60 cents higher than last year's $3.68.

With record corn and soybean harvests indicated for 1979, prices of major feed ingredients began to decline in late October from the strong price levels that prevailed during the summer. However, they rebounded in mid-November, and by early December prices for No. 2 yellow corn at Chicago were about $ 2.70 per bushel—down from $2.85 per bushel in early October, but still about 35 cents above the year-earlier price. Meanwhile, soybean meal prices quoted at Decatur were $ 190 per ton, up about $20 from the late October low and about even with December 1978 prices.

U.S. corn production in 1979 is expected to be near 7.6 billion bushels, up 7 percent over 1978, and soybean output will total about 20 percent more than 1978's 1.87 billion bushels. With this larger supply of feed mix ingredients, stocks of corn and soybeans should be adequate to moderate any price impacts of unexpected developments in 1980. Despite this year's bountiful harvests, strong domestic and export demand for feed grains will keep corn prices moderately above year-earlier levels. Meanwhile, 1979/80 soybean prices are expected to be below a year earlier. As a result, milk-feed price relationships next year should be favorable for dairy farmers, although likely not as favorable as in 1979.

Although alfalfa hay production was expected to about equal the relatively large 1978 crop, alfalfa prices received by farmers in November were up substantially to almost $65 per ton, compared with

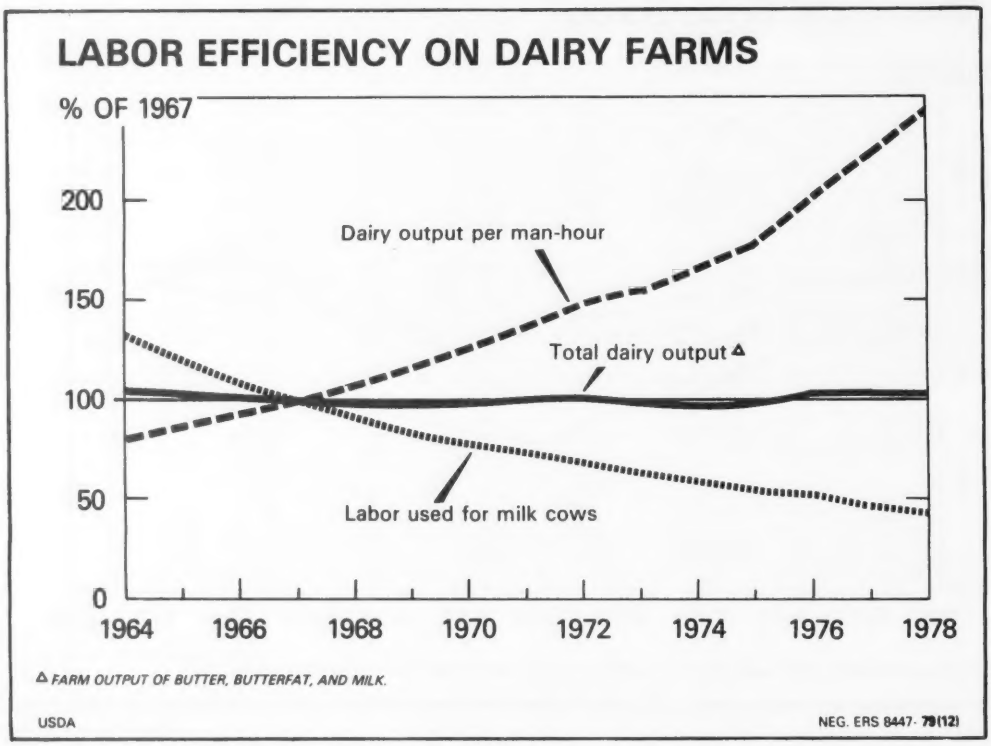


Figure 8

about $49 per ton a year ago. In Wisconsin, though, abundant supplies of alfalfa hay reportedly were selling for $30-35 per ton.

During 1979/80, dairy animals are expected to consume 3-4 percent more feed concentrates than the 1978/79 level of 27 million metric tons. The supply of good quality roughage feeds will keep the increase in concentrate feeding to modest levels.

Labor Efficiency in Milk Production Improved in 1978

Milk output per man-hour continued upward in 1978, with an increase of 8 percent (figure 8). This compares with a 10 percent jump in labor efficiency in 1977. The smaller increase in 1978 can probably be attributed to the fact that total U.S. milk production declined by about 1 percent from 1977 levels. Output per man-hour of all farm products increased by an average of 6 percent during 1978, while efficiency in production of all livestock and livestock products rose by 8 percent. For 1979, milk production per man-hour will probably rise more than last year since total milk production will increase by over 1 percent.

Several factors are behind the increasing labor efficiency in milk production. As dairy farm enterprises have adopted labor-saving technologies, the dairy farm labor force declined over the past several years and average herd size increased. Also, the recent past has been characterized by continual herd improvement and increased concentrate feeding, which have contributed to increased output per cow, and thus, larger milk output per man-hour.

The amount of time devoted to care of a dairy cow reflects this increased efficiency. In 1978, dairymen used an average of 6.8 minutes per day per cow of direct care, down from 7.4 minutes in 1977. These figures do not include labor used in producing feed, caring for calves and replacements, or general farm overhead. Over the decade preceding 1978, 4 percent more milk was produced in the United States with less than half of the direct labor, a record matched among livestock commodities only by poultry enterprises.

PRICES AND INCOME

Farm Milk Prices Well Above 1978

The tight milk supply-demand balance that existed through late summer eased as production increases continued and commercial stocks were rebuilt to relatively large levels. As a result, year-to-year increases in the farm price of milk have slowed. In November, farmers received an average $12.80 per hundredweight of milk, an increase of about a tenth from a year earlier and the spring seasonal low. This compares with average year-to-year increases of about 15 percent during the first three quarters of 1979. Further increases can be expected in December due to seasonally rising fat content.

Prices for manufacturing grade milk in November were $11.70 per 100 pounds of milk, up 90 cents from a year ago. After adjusting for fat test, the November price was about a penny below the support level.

Minimum Class I prices will average about $13.37 per hundredweight (for milk of 3.5 percent milkfat) in January, 83 cents above the average Class I minimum in January 1979. The Minnesota-Wisconsin manufacturing milk price, the mover of Class I prices in Federal order markets, rose steadily through the summer but did not match the sharp increases of 1978. During October, the Minnesota-Wisconsin price declined 7 cents from the September yearly high of $11.32 and stood at $11.27 per 100 pounds of milk in November.

Milk prices received by farmers

Month	All sold to plants			Manufacturing grade		
	1977	1978	1979	1977	1978	1979
	Dollars per 100 pounds					
January	9.65	10.20	11.90	8.48	9.17	10.90
February	9.53	10.20	11.90	8.41	9.21	10.80
March	9.45	10.20	11.80	8.46	9.27	10,80
April	9.44	10.10	11.60	8.66	9.30	10.70
May	9.37	10.10	11.50	8.62	9.26	10.80
June	9.40	10.00	11.50	8.56	9.24	10.80
July	9.49	10.10	11.60	8.56	9.28	10.80
August	9.66	10.50	12.00	8.64	9.62	11.10
September	9.97	10.90	12.40	8.84	9.96	11.40
October	10.10	11.30	12.60	9.02	10.50	11.60
November	10.20	11.60	12.80	9.11	10.80	11.70
December	10.20	11.80		9.19	10.90	
Average	9.72	10.58		8.71	9.71	

Class I prices negotiated by cooperative associations averaged an estimated 60 cents per hundredweight over Federal order minimum Class I prices during November. Since July, the estimated average over-order payments have ranged between 60 and 65 cents. This compares with a range of $.30 to $.47 during January-June of this year, and a range of $.35 to $.51 during August-November 1978. With the 7-cents drop in minimum Federal order Class I prices between November and December of this year, the average over-order payment is expected to remain near the $.60 to $.65 range. These changes reflect costs of transportation and other services provided by cooperatives.

Although year-to-year increases in farm milk prices slackened during the fourth quarter, prices *for 1979 should average about 14 percent greater* than the 1978 average of $10.58 per *hundredweight.*

1980 Milk Prices To Increase Moderately

Farm milk prices will continue to increase in *1980, but more slowly than in 1979. In early 1980,* year-to-year milk price rises will slow due to *increased production, relatively high commercial* stocks, and a possible weakening in demand due to *the expected economic slowdown. This will keep* manufacturing grade milk prices early in 1980 near the support level in contrast to 1979 when strong demand and rebuilding of stock levels kept prices above the support level for most of the year. If 1980 milk output and commercial use develop as expected, purchases under the price support program will be substantially above this year's small totals, and manufacturing grade milk prices will average much closer to the support level in the coming year.

Farm prices of all milk will probably average 9 to 11 percent higher in 1980, with the largest gains occurring in the second-half of the year. A substantial year-to-year rise is assured by the required semiannual adjustment in the support price on April 1 to reflect changes in the parity index. Potential further price increases, though, will be limited by continued large Commodity Credit Corporation (CCC) holdings of butter and nonfat dry milk, which will be available under the current 105-percent sellback policy.

Cash Receipts to Reach Record $14½ Billion in 1979

Cash receipts from dairying in 1979 likely will exceed $14½ billion, up from the record $12.7 billion posted in 1978 (table 2). Larger marketings and higher prices in September-October led to cash receipts 13 percent above a year earlier, compared with rises of about 15 percent during the first 8 months of 1979. With both higher prices and expanded production expected into mid-1980, year-to-year advances in cash receipts should continue into next year. Continuing high prices for slaughter cows could also supplement gross cash receipts in 1980.

During November, the index of prices paid for production items stood at 255 (1967=100), up 15 percent over a year ago. For the year, the prices paid index likely will average about 15 percent higher than in 1978. With both gross receipts and costs rising at similar rates, the net income *position for milk producers in 1979* approximated the favorable situation of 1978. Slower year-to-year *milk price increases in early 1980* combined with expected increases in production and feed costs *would indicate that the net income status of dairy-* men may not be as favorable in the next several *months as in the same period in 1979.*

Year-to-Year Wholesale Price Increases to Moderate

The combination of increased milk production *and relatively large commercial stocks has resulted* in lower wholesale cheese prices since early October, *while wholesale butter prices posted a slight* increase (figure 9). Butter prices and block and barrel cheese prices were at or near their respective support prices as CCC purchased substantial quantities of those products during October-November.

In late November, the Chicago Grade A butter price was quoted at just above $1.30 per pound, while American cheese in 40-pound blocks and 500-pound barrels was priced at over $1.25 and nearly $1.18 per pound, respectively, at Wisconsin assembly points.

Seasonal and year-to-year increases in milk production and the rebuilt commercial stocks will leave more milk available for manufacturing in the coming months. Thus, wholesale prices of cheese and butter should remain at or near their support prices during the first half of 1980—except during February and March, when they may rise in anticipation of higher CCC purchase prices on April 1.

With respect to dry products, prices for nonfat dry milk (high heat, Central States production area) were close to the support price of 84 cents per pound in late November, while edible dry whey prices stood at 11.6 cents per pound. Dry whole milk prices have continued to rise and equaled $1.05 per pound in October, an alltime high. These increases can probably be attributed to a combination of relatively low stock levels and fairly good buying interest.

Manufacturers' selling prices of canned evaporated milk averaged $18.72 per case in November, up about 10 percent over 1978. Wholesale prices of ice cream have trended steadily upward in 1979, and by November had increased to 12 percent above year-earlier levels.

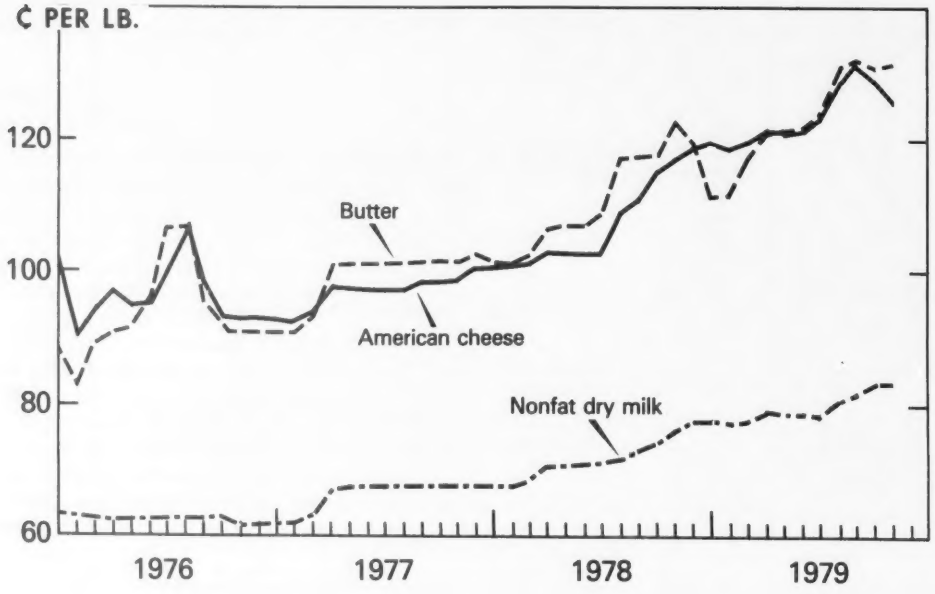
The wholesale dairy price index as reported by the Bureau of Labor Statistics (BLS) equaled 219.0 (1967=100) in November, an increase of 9.7 percent from 1978. The index may decline seasonally over the next few months. In addition, year-to-year increases should also slow due to the impacts of the higher milk production and plentiful commercial stocks.

Table 2--Milk marketings and cash receipts, United States, selected years, 1960-79 1/

Year	Milk used on farms where produced	Milk marketed by farmers				Cash receipts from milk marketed by farmers			
		Sold to plants and dealers		Retailed by farmers as milk and cream	Total	Milk sold to plants and dealers	Cream sold to plants and dealers	Retailed by farmers	Total
		As whole milk	As farm separated cream						
	Billion pounds					Billion dollars			
1960	9.2	103.9	7.9	2.1	114.0	4.4	.2	.2	4.8
1965	6.0	112.7	3.7	1.8	118.2	4.8	.1	.2	5.0
1966	5.5	109.7	3.0	1.7	114.4	5.3	.1	.2	5.5
1967	5.2	109.4	2.4	1.8	113.6	5.5	.1	.2	5.7
1968	4.7	108.8	2.0	1.8	112.6	5.7	2/	.2	6.0
1969	4.3	108.5	1.6	1.7	111.8	6.0	2/	.2	6.2
1970	4.0	110.1	1.2	1.7	113.0	6.3	2/	.2	6.5
1971	3.8	112.2	1.0	1.6	114.8	6.6	2/	.2	6.8
1972	3.5	114.2	.8	1.5	116.5	6.9	2/	.2	7.1
1973	3.4	109.9	.7	1.5	112.1	7.9	2/	.2	8.1
1974	3.2	110.4	.4	1.5	112.4	9.2	2/	.3	9.4
1975	3.1	110.4	.3	1.6	112.3	9.7	2/	.3	9.9
1976	3.0	115.6	.2	1.5	117.3	11.2	2/	.3	11.4
1977	2.8	118.2	.2	1.5	119.9	11.5	2/	.3	11.8
1978 3/	2.7	117.6	.1	1.5	119.3	12.4	2/	.3	12.7
1979 4/	2.6	119.2	.1	1.5	120.8	14.3	2/	.3	14.6

1/ Totals may not add due to rounding.
2/ Less than $50 million.
3/ Preliminary.
4/ Estimated.

Wholesale Dairy Product Prices



USDA

Neg. ESCS 39-79(12)

Figure 9

Retail Prices Continue To Rise Seasonally

In contrast to the usual seasonal pattern of prices, retail dairy product prices have risen without interruption during 1979. The BLS index of retail dairy product prices stood at 213.3 (1967=100) in October, up almost 12 percent over a year ago and 5 percent since May (figure 10). In comparison, the year-to-year increase in the index of all food prices was up about 10 percent in October. Retail prices of milk and milk products are probably still rising seasonally as milk production reached its seasonal low.

During the third quarter, year-to-year increases in the prices of processed dairy products increased at a rate slightly greater than the prices of fluid milk products. However, this pattern has been reversed in the fourth quarter. The increased milk production and adequate commercial stocks have moderated processed product prices, while the rise in fluid product prices reflected the early fall increase in the Minnesota-Wisconsin price series.

For 1979, consumer prices for milk and dairy products in the store likely will average about 11½ percent higher than a year earlier, compared with the 6½-percent jump in retail dairy prices during 1978. Prices of milk and dairy products in grocery stores will increase again in 1980, although probably not as much as this year, due to larger milk production and abundant stocks. Retail dairy product prices likely will rise by 8 to 10 percent

Retail dairy product prices

Item	Index base	Oct. 1978	Dec. 1978	Mar. 1979	Oct. 1979
Consumer Price Index[1]	1967=100	200.9	202.9	209.1	225.4
All food[1]	1967=100	216.8	219.4	230.4	238.2
All dairy products[1]	1967=100	191.1	196.4	201.5	213.3
Fluid milk and cream	12/77=100	107.8	110.6	113.8	120.3
Whole milk	1967=100	176.5	181.2	186.5	197.6
Other	12/77=100	107.6	110.4	113.6	119.2
Manufactured dairy products	12/77=100	108.3	111.5	114.0	120.9
Butter	1967=100	189.3	195.4	194.5	213.0
Cheese	12/77=100	107.8	111.7	114.6	121.0
Frozen desserts	12/77=100	108.0	109.9	113.4	120.4
Other	12/77=100	107.0	109.3	111.0	116.4

[1] For all urban consumers starting January 1978.

Retail Food And Dairy Product Prices

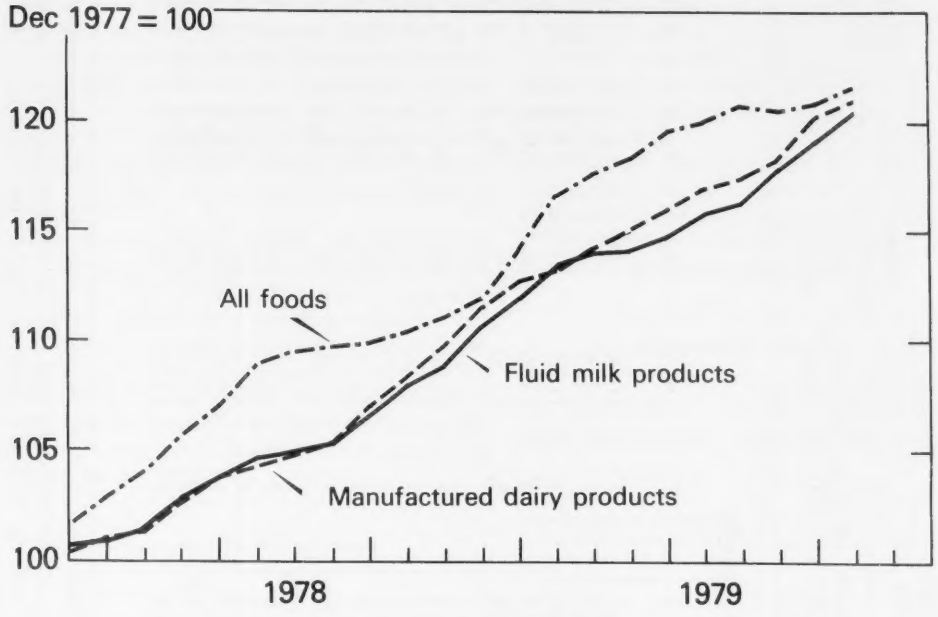


Figure 10

during 1980, compared with the expected 7 to 11 percent increase in all food prices.

Price Support Legislation

A bill was enacted on November 28 which requires that the support price of milk be set at no less than 80 percent of parity through September 30, 1981. It also requires that the support price be adjusted in the middle of the marketing year (on April 1) to reflect changes in the Index of Prices Paid by Farmers (the parity index).

UTILIZATION

Diversion to Butter Production Increased

Expanded milk production during the second half of 1979 along with declining fluid sales and diversion of milk supplies from cheese to butter manufacture resulted in a year-to-year increase of 9 percent in butter output during October. This followed a 1-percent gain during the third quarter. Weekly data suggest November butter production was about 9 percent above a year ago. Corresponding to the larger diversion to butter production, nonfat dry milk output increased 21 percent in October over a year earlier. This followed a 3-percent decline in September.

Meanwhile, year-to-year increases in American cheese output eased slightly to 10 percent in October as cheesemakers attempted to aline stocks with expected sales. Preliminary estimates for American cheese production in November indicate a rise of 5

Production of selected manufactured dairy products, 1977-78

Item	January-October		Change from year earlier	
	1978	1979[1]	1978	1979[1]
	Million pounds		*Percent*	
Butter	850.2	827.0	-7.0	-2.7
Cheese:				
American	1,752.5	1,854.8	+0.3	+5.8
Other	1,185.8	1,260.3	+9.6	+6.3
Cottage, creamed	743.9	721.5	-0.2	-3.0
Canned milk	673.8	670.3	-5.5	-0.5
Dry whole milk	63.6	71.0	+5.6	+11.6
Ice cream (Mil. gal.)	705.7	709.9	+0.9	+0.6
Milk equivalent[2]	55,398	56,132	-1.9	+1.3
Nonfat dry milk	821.9	777.8	-14.7	-5.4

[1] Preliminary. [2] Total all reported manufactured products.

Table 3--Utilization of milk supply, United States, selected years, 1960-79 1/

Year	Fluid	Butter, net	Cheese			Evaporated and condensed whole milk	Dry whole milk	Frozen dairy products, net	Other factory products	Total factory products 2/	Miscellaneous 3/
			American	Other	Creamed cottage						
	Billion pounds										
1960	53.0	29.4	9.7	3.7	1.0	5.5	.7	9.5	.4	59.8	1.2
1965	55.4	28.5	11.5	4.3	1.0	4.6	.7	10.6	.6	61.8	1.2
1966	55.4	23.7	12.2	4.5	1.0	4.7	.7	10.5	.6	57.9	2.5
1967	54.0	26.1	12.7	4.5	1.0	4.0	.5	10.5	.3	59.8	1.2
1968	53.7	24.9	12.7	4.7	1.1	3.9	.6	11.0	.4	59.2	-.2
1969	52.8	23.7	12.7	4.9	1.2	3.9	.5	11.0	.4	58.3	1.0
1970	52.0	23.9	14.2	5.3	1.3	3.3	.5	11.0	.5	60.0	1.5
1971	51.9	23.9	15.1	5.8	1.3	3.2	.5	11.0	.7	61.6	1.5
1972	53.2	22.7	16.4	6.4	1.3	3.1	.6	11.0	.8	62.3	1.1
1973	52.4	18.6	16.8	6.8	1.1	2.9	.6	11.1	.7	58.7	1.9
1974	50.5	19.3	18.6	7.1	1.0	2.8	.5	11.2	.8	61.3	.7
1975	51.1	19.9	16.5	7.4	1.0	2.7	.5	11.9	.7	60.5	.8
1976	51.5	19.4	20.6	8.2	1.1	2.5	.6	11.6	.7	64.7	1.4
1977	51.4	21.9	20.5	8.4	1.1	2.4	.5	11.7	.7	66.9	1.9
1978 4/	51.2	19.7	20.7	9.2	1.1	2.3	.5	11.7	.7	65.9	2.8
1979 5/	50.0	20.2	21.9	10.4	1.1	2.4	.6	11.7	.7	69.0	1.8

1/ Total supply includes milk marketed by farmers, net imports of ingredients such as frozen cream, "ice cream", and butterfat-sugar mixtures, and net changes in storage cream, milk equivalent fat solids basis. 2/ May not add due to rounding. 3/ Residual, including miscellaneous minor use and any inaccuracies of independently determined use items. 4/ Preliminary. 5/ Estimated.

percent over year-earlier levels. For the third quarter, American cheese manufacture was 11 percent over third-quarter 1978 output.

Among other products, output of dry whey and modified whey products for human food was up 5 percent over a year ago during September-October. Dry whole milk production in September-October increased 12 percent over a year earlier as manufacturers attempted to rebuild stocks and responded to high product prices. Canned evaporated and condensed milk output was up 2 percent in September-October.

On a milk-equivalent basis, production of manufactured dairy products increased nearly 6 percent during September-October over a year earlier. Larger supplies of milk available for manufacturing will mean increases in both cheese and butter production in early 1980. With American cheese having lost its wholesale price advantage due to large stocks and uncertain sales prospects, diversions to butter-powder operations can be expected to continue.

Wisconsin out-of-state milk shipments

Month	1978		1979	
	Loads	Volume	Loads	Volume
	Number	*Thousand pounds*	*Number*	*Thousand pounds*
January	206	9,682	302	14,194
February	314	14,758	180	8,460
March	239	11,233	64	3,008
April	183	8,601	17	799
May	154	7,238	24	1,128
June	57	2,679	6	282
July	121	5,687	36	1,692
August	119	5,593	157	7,379
September	475	22,325	294	13,818
October	191	8,977	175	8,225
November	276	12,972	232	10,904
December	320	15,040		
Total	2,655	124,785		

Total Commercial Use Steady

Although retail dairy product prices rose faster than the prices of all foods, commercial use remained fairly steady during September-October, declining by only about ½ percent (table 4). A substantial year-to-year reduction in butter use was mostly offset by continued strong utilization of cheese (table 5). The overall demand for dairy products has stayed strong as have prices of meats, which are widely viewed as alternative protein sources (table 6).

For the first 10 months of 1979, commercial use has fluctuated around year-earlier levels. On a cumulative basis, January-October commercial utilization of milk and dairy products was nearly 1 percent over a year earlier. For the entire year, commercial use should top the record 1978 use by about 1 percent, which would match the trend in annual increases over the past decade.

July-October butter sales declined about 7 percent from 1978. Cumulative butter use has fallen below year-earlier levels after posting strong gains in the first half of 1979, and for the year could be off by 2 to 3 percent. Meanwhile, commercial use of American cheese and other cheese increased by 6½ percent and 9 percent, respectively, during September-October. For all of 1979, utilization of American and other cheese should be up about 5 percent.

Changes in dairy sales from year earlier

Item	Change		
	Jan.-Mar.	Apr.-June	July-Oct.
	Percent		
Total milk[1]	+2.6	+0.6	+0.1
Manufactured products:			
American cheese	-1.8	+4.5	+4.6
Other cheese	+0.7	+10.2	+7.5
Cottage cheese[2]	-0.7	-3.0	-2.7
Butter	+9.7	-6.5	-6.6
Ice cream	+2.2	-0.8	+0.7
Ice milk	-4.2	-6.4	-3.4
Canned milk	-1.2	-10.6	+3.4
Nonfat dry milk	-3.9	-16.9	-2.1
Fluid products:	+0.5	-0.4	[3] -0.3
Whole milk	-2.6	-2.8	[3] -3.0
Skim and lowfat milk	+5.2	+3.5	[3] +4.3
Cream and mixtures	0	-.2	[4] +0.4

[1] On a milk equivalent, fat-solids basis. [2] Creamed and low-fat. [3] July-Sept. [4] July-Aug.

After being at or just above 1978 levels during the first quarter of the current year, fluid milk sales dropped below year-earlier levels. For all of 1979, sales of fluid products probably will total about the same as last year.

Commercial use of nonfat dry milk decreased by about 10 percent in September-October, and the annual total could be 7 to 8 percent below 1978. Meanwhile, use of canned evaporated milk was down 3½ percent from 1978's relatively low levels in the September-October period. Creamed cottage cheese sales during September-October were off from last year, while lowfat cottage cheese sales posted a modest increase. Frozen dairy product sales were near year-earlier levels during the fall.

Sales of dairy products next year are expected to be at or near 1979 levels, but somewhat below the trend increase of about 1 percent. However, sales could be greater if the impacts of the economic slowdown are less severe than now anticipated, or if meat supplies are below expectations.

Table 4--Commercial disappearance: Total milk, annual and by quarters, 1977-79 1/

Item	1977	1978					1979 2/				
		By quarters				Annual	By quarters				Annual
		1st	2nd	3rd	4th		1st	2nd	3rd	4th	
		Billion pounds									
Production	122.7	29.8	32.7	30.5	29.0	121.9	30.0	32.8	31.6		
Farm use	2.8	.7	.7	.7	.7	2.7	.6	.6	.6		
Marketings	119.9	29.1	32.0	29.8	28.3	119.2	29.4	32.2	30.5		
Beginning commercial stocks	5.3	4.9	5.1	5.6	5.3	4.9	4.5	4.9	6.3		
Imports	2.0	.5	.4	.5	.9	2.3	.4	.5	.6		
Total supply	127.1	34.5	37.5	35.9	34.5	126.4	34.2	37.6	37.4		
Ending commercial stocks	4.9	5.1	5.6	5.3	4.5	4.5	4.9	6.3	6.4		
Net removals	6.1	1.2	1.9	-.1	-.2	2.7	.2	1.1	4/		
Commercial disappearance Actual	116.1	28.4	30.0	30.7	30.2	119.3	29.1	30.2	30.8		
Percent change 3/	-.3	+4.4	+4.9	+.6	+1.2	+2.7	+2.6	+.6	+.3		

1/ Milk equivalent, fat solids basis. Totals may not add due to rounding
2/ Preliminary.
3/ From year earlier using unrounded data.
4/ Less than 50,000 pounds.

Table 5--Commercial disappearance: Selected dairy products, United States, annual 1969-78, quarters, 1978-79

Year and quarter	Butter 1/	Cheese		Nonfat dry milk	Canned Milk	Frozen products 3/
		American 2/	Other			
	Mil. lb.	Mil. lb.	Mil. lb.	Mil lb.	Mil. lb.	Mil. gal.
1969	921.9	1,281.0	861.6	1,042.1	1,376.1	1,092.2
1970	898.2	1,398.0	909.1	983.2	1,213.8	1,097.3
1971	847.1	1,454.8	987.0	981.8	1,186.9	1,102.4
1972	885.4	1,595.7	1,127.8	919.2	1,102.6	1,108.6
1973	885.6	1,677.1	1,210.2	1,110.1	1,056.7	1,118.6
1974	929.9	1,780.6	1,276.5	809.9	999.5	1,128.0
1975	951.0	1,717.1	1,331.9	697.0	923.9	1,183.9
1976	919.0	1,920.9	1,458.0	719.2	899.0	1,154.0
1977	859.8	1,958.8	1,512.3	682.2	799.2	1,167.6
1978	903.5	2,064.7	1,655.1	658.4	776.1	1,170.4
1978 - 1st	225.4	527.7	388.5	177.9	196.7	249.2
2nd	217.7	518.7	388.2	135.2	179.7	333.8
3rd	222.3	497.7	405.5	190.3	163.6	346.3
4th	238.2	520.6	472.9	155.0	236.0	241.1
1979 - 1st	247.2	518.2	391.3	170.9	194.4	250.5
2nd	203.6	542.3	427.8	112.4	160.7	325.0
3rd	208.0	151.0	439.5	195.0	184.4	342.3
4th						
	1978-79 percent change					
1st	+9.7	-1.8	+0.7	-3.9	-1.2	+0.5
2nd	-6.5	+4.5	+10.2	-16.9	-10.6	-2.6
3rd	-6.4	+3.5	+8.4	+2.5	+12.7	-1.2
4th						

1/ Imports include butter equivalent of butteroil. 2/ Imports include Colby cheese; stocks do not include processed cheese. 3/ Excludes Mellorine.

Table 6--Factors influencing and indicative of the demand for milk and dairy products, United States, selected years, 1960-79

Year	Total population July 1 (including Armed Forces overseas)	Total civilian employment	Per capita disposable income		Civilian per capita disappearance					Retail price indexes		
					Milk equivalent		Milk solids					
			Actual	Deflated by consumer price index 1/	Fat-solids basis	Calcium content basis	Milkfat	Solids-not-fat	Margarine	Consumer price	All foods	Dairy products
	--- Million ---		--- Dollars ---		---------- Pounds ----------					---- 1967=100 ----		
1960	180.7	65.8	1,934	2,180	653	512	24.5	41.4	9.4	88.7	88.0	88.4
1965	194.3	71.1	2,430	2,571	620	505	22.9	40.6	9.9	94.5	94.4	90.0
1966	196.6	72.9	2,597	2,672	604	503	22.3	40.3	10.5	97.2	99.1	95.8
1967	198.7	74.4	2,740	2,740	581	494	21.4	39.5	10.5	100.0	100.0	100.0
1968	200.7	75.9	2,930	2,812	577	499	21.2	39.7	10.8	104.2	103.6	103.3
1969	202.7	77.9	3,111	2,833	569	497	20.9	39.6	10.8	109.8	108.9	106.7
1970	204.9	78.6	3,348	2,879	562	486	20.6	39.8	11.0	116.3	114.9	111.8
1971	207.0	79.1	3,588	2,958	557	490	20.4	39.8	11.1	121.3	118.4	115.3
1972	208.8	81.7	3,837	3,062	561	479	20.6	39.6	11.3	125.3	123.5	117.1
1973	210.4	84.4	4,285	3,219	555	477	20.4	39.8	11.3	133.1	141.4	127.9
1974	211.9	85.9	4,646	3,146	544	471	20.0	38.2	11.3	147.7	161.7	151.9
1975	213.6	84.8	5,088	3,156	546	469	20.1	38.0	11.2	161.2	175.4	156.6
1976	215.1	87.5	5,504	3,228	548	486	20.1	38.7	12.2	170.5	180.8	169.3
1977	216.8	90.5	6,017	3,315	551	482	20.1	38.3	11.6	181.5	192.2	173.9
1978	218.5	94.4	6,672	3,415	558	473	20.4	38.5	11.4	195.4	211.4	185.6
1979 2/	220.4	N.A.	N.A.	N.A.	560	479	20.5	38.9	11.6	3/ 215.2	3/ 233.3	3/ 205.2

1/ 1967 dollars.
2/ Preliminary.
3/ Ten-month average.
N.A.=Not Available.

Small Increase in Per Capita Use

Per capita consumption of all dairy products will probably show a very small increase in 1979. With USDA donations the same as a year earlier, the per capita increase can be attributed to expanded commercial use (table 7). Per person consumption of milkfat and milk solids-not-fat will probably both have increased slightly in 1979. The increase in per person use of solids-not-fat was tempered by a decline in nonfat dry milk use.

Per capita consumption of cheese should average about 17.9 pounds in 1979, up 3 percent from last year, while consumption of butter should remain at year-earlier levels (figure 11). Per capita consumption of fluid milk and fluid cream items will likely be slightly below 1978 levels. However, the trend toward greater per person use of lowfat and skim milk items continued. Among other products, per capita consumption of frozen desserts and creamed cottage cheese declined, while consumption of lowfat cottage cheese and whey products increased.

With larger CCC purchases likely in 1980, USDA donations could increase next year to boost per capita consumption. This could offset declines in commercial use of dairy products resulting from the economic slowdown.

Commercial Stocks Relatively Large

Commercial dairy product stocks substantially surpassed the tight holdings of a year ago on November 1. Industry stocks exceeded year-earlier levels by over a fourth on both milkfat and solids-not-fat bases. Contributing to the increase were larger milk production which left more milk available for manufacturing purposes and the slowing in commercial utilization of certain dairy products.

November 1 butter stocks were nearly double last year's relatively small levels as some milk was diverted from cheese to butter and nonfat dry milk production and commercial butter use declined markedly during September-October. Attendant with the rise in butter stocks were manufacturers' holdings of nonfat dry milk three-fourths larger than those of a year earlier.

With increased cheese production greater than sales, commercial stocks of cheese during September-October were substantially above year-earlier levels. Commercial stocks of American cheese were up 19 percent over a year ago on

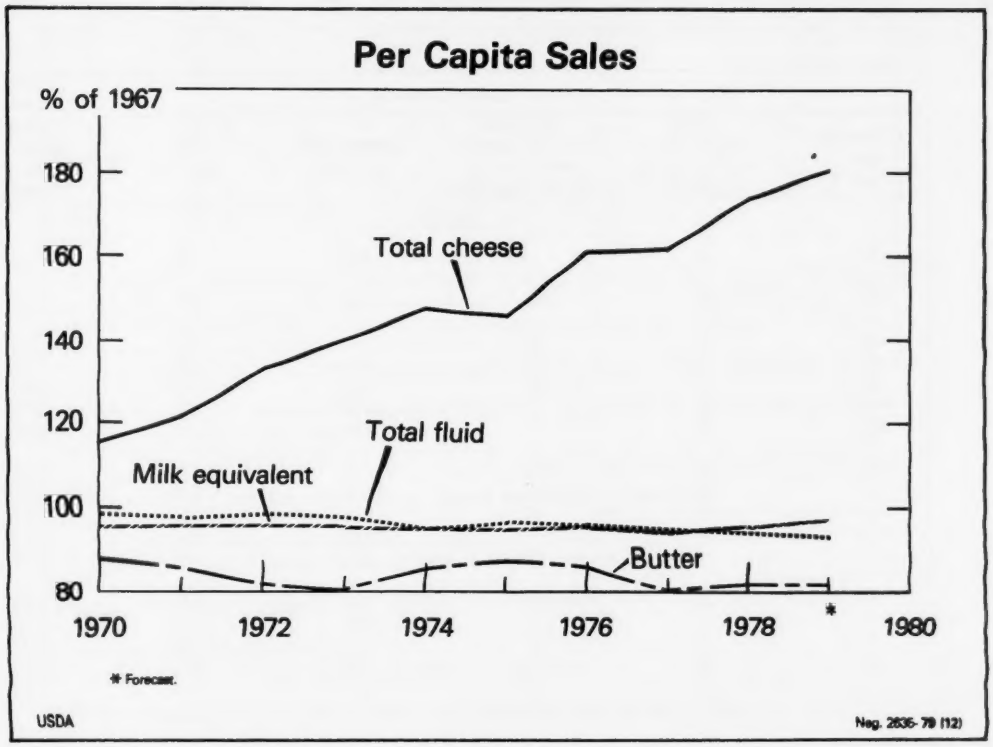


Figure 11

Table 7--Milk equivalent: Domestic civilian disappearance, commercial and noncommercial sources, total and per capita, United States, 1955, 1960, and 1965-79

Year	Civilian disappearance					Total military utilization 2/	Consumption excluding donations from USDA supplies		
	Consumed on farms 1/	USDA donations to civilian channels	National School Lunch and Special Milk Programs	Commercial sources	All sources		Civilian	Military	Total
	Million pounds								
1955	11,359	3,102	1,394	98,697	114,552	3,329	111,450	2,627	114,077
1960	6,610	2,040	2,455	105,259	116,364	2,532	114,324	2,228	116,552
1965	3,913	3,593	3,215	107,978	118,699	2,819	115,106	2,387	117,493
1966	3,492	1,129	3,311	108,804	116,736	2,376	115,607	2,376	117,983
1967	3,152	3,113	3,338	103,812	113,415	2,117	110,302	2,117	112,419
1968	2,841	4,114	3,376	103,332	113,663	3,295	109,549	2,186	111,735
1969	2,570	4,545	3,435	102,682	113,232	2,696	108,687	2,051	110,738
1970	2,306	4,187	3,462	103,257	113,212	2,419	109,025	1,788	110,813
1971	2,117	4,526	3,494	103,782	113,919	2,031	109,393	1,608	111,001
1972	1,914	3,906	3,500	106,563	115,883	1,671	111,977	1,258	113,235
1973	1,766	3,521	3,500	106,721	115,508	1,257	111,987	1,257	113,244
1974	1,643	1,459	3,500	107,376	113,978	1,137	112,519	1,137	113,656
1975	1,505	2,296	3,500	108,057	115,358	1,075	113,062	1,075	114,137
1976	1,404	478	3,500	111,362	116,744	1,013	116,266	1,013	117,279
1977	1,295	2,986	3,500	110,432	118,213	996	115,227	996	116,223
1978	1,166	2,275	3,500	113,745	120,686	977	118,411	977	119,388
1979 3/	1,110	2,310	3,500	115,327	122,247	977	119,937	977	120,914

Year	Per capita civilian disappearance 4/					Civilian consumption excluding donations from USDA supplies
	Consumed on farms 1/	USDA donations to civilian channels	National School Lunch and Special Milk Programs	Commercial sources	All sources	
	Pounds					
1955	70	19	9	608	706	687
1960	37	11	14	591	653	642
1965	20	19	17	564	520	601
1966	18	6	17	563	604	598
1967	16	16	17	532	581	565
1968	14	21	17	525	577	556
1969	13	23	17	516	569	546
1970	11	21	17	512	562	541
1971	10	22	17	508	558	536
1972	9	19	17	516	561	542
1973	8	17	17	513	555	538
1974	8	7	17	512	544	537
1975	7	11	17	511	546	535
1976	7	2	16	523	548	546
1977	6	14	16	514	551	537
1978	5	11	16	526	558	547
1979 3/	5	11	16	528	560	549

1/ Includes a small amount of farm-churned butter sold. 2/ Includes any quantities used by military in civilian feeding programs abroad. 3/ Preliminary. 4/ Aggregate in each category divided by total civilian population.

Table 8--Net government expenditures on dairy support and related programs, fiscal years, 1950-79

Year beginning July 1	Net support purchases 1/	Military milk 2/	Section 32 3/	Section 709 4/	Section 4(a) 4/	Export assistance 5/	Total (excluding special milk)	Special milk program 6/
				Million dollars				
1949-50	170.5	---	17.6	---	---	---	188.1	---
1950-51	7/-49.1	---	8/-.9	---	---	---	7/-50.0	---
1951-52	1.6	---	7.5	---	---	---	9.1	---
1952-53	274.9	---	25.1	---	---	---	300.0	---
1953-54	400.4	---	74.0	---	---	---	474.4	---
1954-55	228.7	4.3	24.4	---	---	---	257.4	22.2
1955-56	237.9	7.3	39.0	---	---	---	284.2	48.2
1956-57	239.1	16.4	75.6	---	---	---	331.1	61.0
1957-58	205.9	30.4	123.7	---	---	---	360.0	66.7
1958-59	102.1	23.0	106.2	---	---	---	231.3	74.7
1959-60	159.5	23.6	35.1	---	---	---	218.2	81.2
1960-61	173.9	25.3	82.1	---	---	---	281.3	87.0
1961-62	539.0	25.9	47.1	---	---	---	612.0	91.7
1962-63	454.0	24.8	---	---	---	6.7	485.5	93.7
1963-64	311.7	26.5	4.4	---	---	36.5	379.1	97.1
1964-65	157.2	26.2	105.6	---	---	44.7	333.7	86.5
1965-66	26.1	---	38.7	---	---	3.8	68.6	97.0
1966-67	283.9	---	.9	14.2	---	18.4	317.4	96.1
1967-68	357.1	---	---	---	---	7.1	364.2	103.1
1968-69	268.8	---	45.4	---	---	13.1	327.3	101.9
1969-70	168.6	---	107.1	7.8	---	7.4	290.9	102.9
1970-71	315.4	---	91.6	3.2	---	11.6	421.8	91.8
1971-72	267.0	---	63.9	---	---	7.3	338.2	93.6
1972-73	135.8	---	15.4	0.1	---	1.5	152.8	90.8
1973-74	31.4	---	10.8	13.7	15.0	---	70.9	50.2
1974-75	485.8	---	6.5	---	3.8	---	496.1	122.9
1975-76	69.6	---	4.1	---	2.8	---	76.5	144.0
Transition quarter*	43.5	---	1.0	---	---	---	44.5	25.5
1976-77	709.8	---	---	---	4.5	---	714.3	109.7
1977-78	446.4	---	---	---	5.0	---	451.4	137.8
1978-79	272.9	---	---	---	6.3	---	279.2	134.1

1/ CCC support purchases and related costs (for processing, packaging, transporting and storing) of dairy products, less proceeds from sales to commercial buyers for domestic use and for export, U.S. military agencies, foreign government and private welfare agencies, and Section 32 programs.

2/ CCC reimbursements to U.S. military agencies, Veterans' Administration and other participants.

3/ Expenditures of Section 32 funds to buy dairy products in the market and from CCC for school lunch and welfare uses.

4/ Purchases of dairy products at market prices under Sec. 709 of the Food and Agriculture Act of 1965 and under Sec. 4(a) of the Agriculture and Consumer Protection Act of 1973, for domestic school lunch and welfare uses.

5/ Value of Payment-in-kind certificates issued by CCC on exports of nonfat dry milk, butter and other high-milkfat products, and CCC cost of exports under Title I, P.L. 480 of dairy products not originating in CCC stocks.

6/ Expenditures under the program to increase milk consumption by children in schools, child-care centers, and similar institutions.

7/ Net receipt due to sales exceeding purchases.

8/ Receipt due to adjustment.

* Start of fiscal year moved to October 1 in 1976.

SOURCE: Agricultural Stabilization and Conservation Service, USDA.

Table 9--USDA expenditures for dairy products, fiscal year ending September 30, 1979

Item	Value					Quantity		
	Butter and butter products	Cheese	Nonfat dry milk	Condensed and evaporated milk	Total	Butter and butter products	Cheese	Nonfat dry milk
	Million dollars					Million pounds		
CCC outlays								
Purchases	74.5	16.8	155.4		246.7	61.9	13.8	196.4
Storage, handling	5.0	0.4	5.0		10.4			
Transportation	2.7	1.9	8.2		12.8			
Processing, packaging	1.8	1.3	1/45.4		48.5			
Total carrying charges	9.5	3.6	58.6		71.7			
Total outlays	84.0	20.4	214.0		318.4			
Sales proceeds to CCC								
Dollar sales	21.7	1.0	21.6		44.3	17.8	1.0	88.2
Donations - Schools & needy	65.6	59.3	2/49.2		174.1	54.4	46.3	3/64.1
P.L. 480, Title II	--	--	4/28.6		28.6	--	--	5/178.6
Other receipts	0.1	0.1	1.0		1.2	0.1	0.2	1.7
Total	87.4	60.4	100.4		248.2	72.3	47.5	332.6
Expenditures								
CCC net expenditures	-3.4	-40.0	113.6		70.2			
Section 4(a)	--	--	--	6.3	6.3			
P.L. 480, Title II	--	--	4/28.6	--	28.6			
Donations - Schools & needy	65.6	59.3	2/49.2	--	174.1			
USDA net expenditures	62.2	19.3	191.4	6.3	279.2			

1/ Includes $28.6 million to process CCC-owned NDM into Mozzarella cheese.
2/ Includes $22.0 million, the value of CCC-owned NDM to produce Mozzarella cheese.
3/ Includes $21.6 million, pounds of NDM used for Mozzarella cheese.
4/ Includes 5.5 million used in CSM.
5/ Includes 34.1 million pounds as an ingredient in CSM.

Dairy product stocks

Item	Nov. 1 1977	Nov. 1 1978	Nov. 1 1979
	Million pounds		
Commercial:			
Butter	38.3	26.1	51.6
American cheese	388.5	368.9	438.8
Other cheese	65.3	75.6	84.2
Nonfat dry milk	68.0	52.2	92.7
Milkfat	188.4	173.9	219.8
Solids-not-fat	232.1	209.8	273.5
Milk equivalent	5,402	4,979	6,261
Government:			
Butter	157.1	255.7	155.5
American cheese	65.5	41.7	1.4
Nonfat dry milk	620.2	584.9	423.6
Milkfat	147.6	195.1	125.6
Solids-not-fat	616.8	575.5	407.9
Milk equivalent	3,892	5,073	3,225

November 1, while holdings of other varieties of cheese were up 11 percent.

Among other products, November 1 dry whey and modified whey product stocks were down nearly a fifth from year-earlier levels, while dry whole milk stocks were down about 8 percent. Canned milk holdings, meanwhile, were up 4 percent.

1980 CCC Purchases To Increase

Milk production is likely to increase into mid-1980, and CCC removals in 1980 will be sharply higher than this year's relatively small purchases. Wholesale dairy product prices are expected to remain at or near USDA purchase prices during the first half of next year—except during February and March when they may rise in anticipation of higher CCC purchase prices on April 1.

For 1979, price support purchases will total about 2 billion pounds on a milk equivalent basis, or a decrease of about a fourth from 1978 removals. After modest butter purchases during the first-half of 1979, CCC sold about 3½ million pounds back to the industry during the summer. With additional purchases after the increase in the support price on October 1, net removals of butter through the first 11 months were 74 million pounds, about a third less than for the comparable period a year ago. Primarily because of sharply reduced purchases during the first quarter of 1979, nonfat dry milk removals were about a fifth less through November than in 1978. With the increased CCC purchase price on October 1, however, powder purchases moved above year-earlier removals during the fourth quarter. Calendar year net removals of nonfat dry milk will be proportionately greater than butter removals.

The strong commercial use and rebuilding of stocks resulted in decreased American cheese purchases during 1979. January-November removals of cheese equaled 19 million pounds, or about 50 percent of the 1978 calendar year removals. Even with CCC purchases during this December, 1979 calendar year removals of American cheese will be the smallest since 1973.

USDA removed about 2 percent of both the milkfat and milk solids-not-fat marketings from commercial markets during 1979. This represents a decrease of 1 percent in solids-not-fat removals from 1978, while milkfat removals were about the same percentage of marketings.

On December 1, CCC uncommitted inventories of butter, while still relatively large, were down 18 percent from last year and totaled 145 million pounds. Uncommitted stocks of nonfat dry milk, down about a fourth equaled 408 million pounds, the lowest level since late 1976. Uncommitted inventories of American cheese, at 20 million pounds, were 11½ million pounds above those held a year earlier on December 1.

USDA dairy purchases[1]

Item	January-November		
	1978	1979	Change
	Million pounds		*Percent*
Butter	115.1	74.5	-35.3
American cheese	39.7	19.2	-51.6
Nonfat dry milk	281.5	220.1	-18.6
Evaporated milk	16.3	15.6	-4.3
Milk equivalent	2,804	1,761	-37.2

[1] Delivery basis, after sales for unrestricted use.

Uncommitted CCC stocks

Item	November 30	
	1978	1979
	Million pounds	
Butter	176.4	145.2
American cheese	9.2	19.7
Nonfat dry milk	538.5	408.4

FOREIGN DAIRY TRADE AND TRENDS

1979 Imports Steady

During September-October, imports of all dairy products increased by nearly 1 percent over a year ago on a milk equivalent basis. January-October imports totaled the equivalent of 1.6 billion pounds of milk, or 2 percent less than the total for the similar period a year ago (table 10). Because of relatively high domestic dairy product prices, compared with world prices, unfilled quotas for most covered products, total 1979 imports should about equal those of 1978.

Table 10--Dairy Products: U.S. imports, quota and non-quota, total 1978, and January-October, 1978-79 1/

Product	Calendar year quota	1978 imports	October			Cumulative, January-October		
			1978	1979	1979 as a % of 1978	1978	1979	1979 as a % of 1978
	Thousand pounds				Percent	Thousand pounds		Percent
Cheese, quota types								
American-Cheddar	10,037.5	10,748	381	239	63	5,848	5,676	97
-Other	6,096.6	7,037	430	388	90	4,554	2,761	61
Italian-Original loaves	11,500.1	8,994	691	691	100	6,978	5,029	72
-Other	1,494.0	1,317	25	126	504	1,111	775	70
Edam and Gouda-Natural	9,200.4	8,601	877	834	95	5,677	5,319	94
-Processed	3,151.0	3,079	783	438	56	1,613	987	61
Blue Mold	5,017.0	5,505	323	385	119	4,031	2,974	74
Swiss-Emmenthaler 2/	20,420.0	14,032	1,073	1,812	169	8,268	15,333	185
-Gruyere-process 2/	11,242.0	10,607	1,678	1,822	109	7,605	7,334	96
Other-Over 0.5% fat 2/	40,730.0	38,374	2,606	2,453	94	16,991	23,935	141
-Under 0.5% fat 2/	8,901.0	2,457	428	251	59	841	946	112
Total	127,789.6	110,752	9,293	9,438	102	63,518	71,071	112
Cheese, non-quota types								
Swiss-Emmenthaler		59,647	5,559	5,440	98	47,502	41,545	87
-Gruyere-process		8,329	716	1,012	141	7,123	5,881	83
Other		39,899	4,164	4,258	102	30,360	32,881	108
Pecorino		20,288	1,764	1,528	87	14,659	13,707	94
Roquefort		1,471	187	150	80	1,152	1,078	94
Other 3/		1,800	251	159	63	1,584	900	57
Total		131,434	12,642	12,548	99	102,379	95,993	94
Other quota products								
Butter	707.0	736	55	73	133	478	576	121
Butteroil	1,200.0	1,200	--	--	--	1,200	1,200	100
Butterfat mixtures	2,580.0	4/2,757	267	867	325	2,237	2,435	109
Ice cream	3,377.3	4/4,360	2,194	--	--	4,360	1,911	44
Frozen cream	12,540.0	4/14,586	449	1,568	349	11,869	11,166	94
Nonfat dry milk	1,807.0	4/2,388	--	1	--	2,316	1,820	79
Dried buttermilk	496.0	478	--	40	--	281	40	14
Evaporated milk	1,312.0	---	--	--	--	--	1	--
Condensed milk	4,079.0	887	63	13	21	845	299	35
Chocolate crumb-Regular	17,000.0	8,686	1,197	1,173	98	7,096	7,907	111
-Lowfat	4,680.0	1,546	240	200	83	1,400	1,904	136
Animal feed with milk solids	16,300.0	14,647	985	1,533	156	11,945	14,222	119
Non-quota products								
Casein		137,134	8,630	7,713	89	116,182	121,688	105
Lactose		3,112	114	119	104	2,871	1,584	55
Milk equivalent, fat solids basis total all products	1,305,620	2,305,258	203,391	197,672	97	1,635,587	1,604,479	98

1/ Preliminary. 2/ Subject to quota if f.o.b. price is less than "pricebreak" (7 cents above the American cheese support purchase price, rounded to nearest whole cent--$1.31 effective October 12, 1979. 3/ Gjetost, Bryndza, Gammelost and Noekkelost, and Goya. 4/ Probable error in reported data.

U.S. dairy trade
(milk equivalent)

Year and quarters	Imports		Exports	Shipments[1]
	Cheese	Other		
	Million pounds			
1978				
1st	379	157	87	168
2nd	337	51	105	156
3rd	484	24	85	145
4th	799	72	91	133
Year[2]	1,999	307	368	602
1979				
1st	251	133	98	150
2nd	432	40	89	167
3rd	517	33	74	143

[1] To U.S. territories. [2] May not add due to rounding. N.A. = not available.

September-October imports of cheese were up about 4 percent from last year as nonquota type imports outweighed the decline in imports of quota varieties. Total cheese imports over the first 10 months of this year were up slightly from last year, as decreased imports of nonquota type cheeses were offset by larger imports of cheese subject to quota. The increased offerings of quota types were due mainly to larger imports of "pricebreak" varieties entering at prices less than 7 cents per pound above the American cheese support prices and thus subject to quota. All types of quota cheeses were well under the 1979 calendar quotas, although the last quarter of the year historically accounts for about 40 percent of cheese imports.

As of November 1, butteroil, butterfat mixtures, nonfat dry milk, frozen cream, and animal feed with milk solids were the dairy products having calendar year quotas filled or close to being filled. Among products not subject to quota, casein imports through November 1 were 5 percent above the total for a year ago.

The Trade Agreements Act of 1979, which implements the results of the Tokyo Round of Multilateral Trade Negotiations, is expected to increase total U.S. agricultural exports substantially. With respect to dairy products, the Act authorizes the expansion of cheese import quotas to 245 million pounds, beginning calendar year 1980, from the current level of 128 million pounds. However, it brings under absolute quotas most of the so-called "pricebreak" cheeses that were previously free from quota. (Total 1978 imports of cheese including the "pricebreak" cheeses were 242 million pounds.) Also under the Act, foreign nations are allowed to subsidize cheese exports into the United States without the imposition of a counter action, as long as the prices of such imports do not undercut prices of domestically produced cheese of similar type.

Commercial U.S. exports for the first 9 months of 1979 were down about 4½ percent on a milk equivalent basis from year-earlier levels (figure 12). However, cumulative exports of lactose have increased to nearly fourfold from last year, while condensed bulk milk, butter, and American cheese were substantially above last year's offerings. Food-aid shipments of nonfat dry milk over the January-September period were down by about a third, while relief and charity exports of corn-soya milk were up by 15 percent from last year. Shipments of dairy products to U.S. Territories have decreased relative to last year.

World Production And Consumption Increase

Milk production among the 36 leading producing nations for 1979 is expected to increase by ½ percent over last year, compared with gains of 1 percent in 1978 and 3 percent in 1977. Adverse weather conditions in Eastern Europe and the Soviet Union, along with policy measures by several countries including the European Community (EC), to restrict output have moderated the year-to-year increase in milk output. Cheese production continued to absorb a growing share of the milk supplies available for manufacturing during 1979, increasing by about 3 percent over last year. Butter production was steady to up slightly, while nonfat dry milk output decreased.

Meanwhile, consumption of dairy products worldwide has increased at a rate somewhat faster than in 1978. Two factors have been important in increasing consumption. First, the relatively favorable economic conditions, especially with respect to rising incomes, has been reflected in the continuing trend toward greater demand for cheese and cheese products and by a strong demand for fluid milk products. Second, consumption was buoyed by heavy subsidization of dairy products for both food and feed uses. Increased butter consumption, especially in the EC, mirrored subsidized sales, rather than a turnaround in the longterm downward trend in butter demand. Subsidies that have encouraged the use of nonfat dry milk for animal feed in the EC have made powder very competitive with other feedstuffs.

International trade of dairy products is expected to increase in 1979 to about the milk equivalent of 36 million metric tons, nearly 40 percent of which represents intra-EC trade. Meanwhile, the Soviet Union and other Eastern European nations increased markedly their imports of dairy products, especially butter and cheese. Imports into the developing nations should account for about 40 percent of world dairy trade in 1979. Despite larger world trade in butter, butter stocks were above last year's levels.

On October 1, stocks of nonfat dry milk in the EC, Oceania, and North America were less than half of year-earlier levels. Contributing to the decline were strong foreign and domestic demand, subsidized sales, and slower growth in milk production.

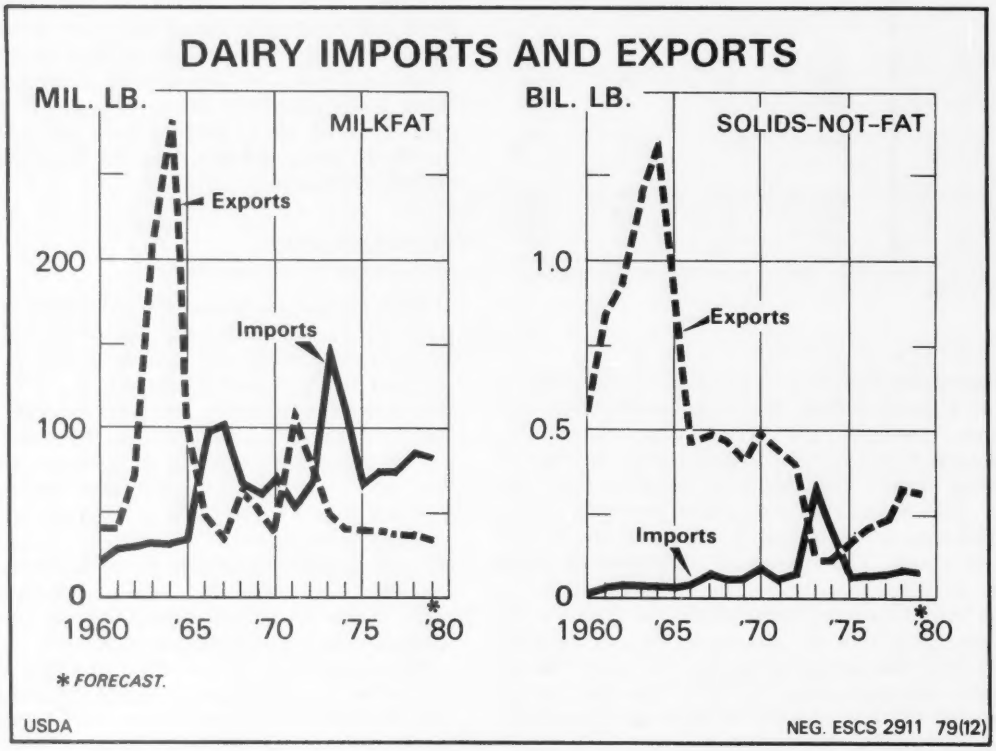


Figure 12

Table 11.--U.S. Dairy Situation at a Glance

Item	Unit or base period	1977	1978					1979		
		Oct.	Aug.	Sept.	Oct.	Nov.	Year	Aug.	Sept.	Oct.
Production and cow numbers:										
Total milk	Mil. lb.	9,838	10,213	9,733	9,832	9,364	121,928	10,400	10,016	10,081
Milk per cow	Lb.	899	944	899	907	864	11,240	968	930	937
Number of milk cows	Thou.	10,945	10,821	10,832	10,837	10,837	10,848	10,740	10,769	10,792
Prices received by farmers:										
All milk, sold to plants, 100 pounds	Dol.	10.10	10.50	10.90	11.30	11.60	10.58	12.00	12.40	12.60
Percentage of parity 1/	Pct.	76	75	74	75	76	75	75	74	73
Manufacturing grade milk, 100 pounds	Dol.	9.02	9.62	9.96	10.50	10.80	9.65	11.10	11.40	11.60
Parity equivalent	Dol.	10.93	12.16	12.33	12.41	12.41	12.09	14.18	14.36	14.44
Fat content	Pct.	3.78	3.54	3.63	3.77	3.83	3.67	3.54	3.63	3.76
Minnesota-Wisconsin (3.5% fat), 100 pounds	Dol.	8.74	9.68	9.90	10.18	10.44	9.57	11.09	11.32	11.25
Milk eligible for fluid market, 100 pounds	Dol.	10.40	10.70	11.00	11.50	11.80	10.80	12.20	12.50	12.80
Price ratios and dairy ration values:										
Milk-feed 2/	Lb.	1.62	1.54	1.59	1.64	1.62	1.53	1.50	1.54	1.55
Manufacturing grade milk-hog	Lb.	.23	.20	.21	.21	.23	.21	.31	.30	.34
Manufacturing grade milk-beef	Lb.	.25	.19	.19	.20	.21	.20	.18	.17	.18
Value of concentrate ration fed milk cows	Dol.	5.62	5.93	5.96	6.05	6.18	6.07	---	---	6.85
Farm cash receipts from dairy products	Mil. lb.	976	1,049	1,044	1,100	1,067	12,722	1,210	1,197	1,222
Production of factory products:										
Butter	Mil. lb.	84.6	63.2	64.0	70.6	66.5	994.3	64.9	61.5	76.8
American cheese, whole milk	Mil. lb.	146.3	165.6	146.4	156.7	151.4	2,074.2	181.9	167.4	171.9
Cheese, other than American	Mil. lb.	110.5	120.9	118.5	122.6	128.2	1,445.1	129.1	124.0	132.1
Canned milk, unskimmed	Mil. lb.	53.5	69.0	59.0	60.7	53.5	787.9	66.7	62.9	59.4
Dry whole milk	Mil. lb.	4.3	5.7	4.7	5.0	5.1	74.6	6.9	5.3	5.5
Frozen products 3/	Mil. gal.	85.1	124.3	101.8	91.9	78.7	1,170.4	123.8	100.6	93.0
Creamed cottage cheese	Mil. lb.	69.4	76.8	72.4	72.0	67.8	872.3	73.3	66.2	72.7
Total whole milk equivalent 4/	Mil. lb.	4,851	5,314	4,769	4,807	4,512	64,748	5,580	4,970	5,159
Nonfat dry milk, human use	Mil. lb.	70.3	75.7	57.5	48.1	42.7	920.4	78.7	55.6	58.1
Wholesale prices:										
Butter, Grade A, Chicago	Ct.	100.7	116.7	115.8	115.6	121.1	109.8	128.7	127.8	128.8
Cheese, American (40-pound blocks), f.o.b. Wisconsin assembling points, pound	Ct.	98.3	109.1	110.8	115.5	117.1	107.1	128.5	131.5	128.8
Evaporated milk, case	Dol.	15.25	16.26	16.31	16.57	17.01	16.20	17.97	18.30	18.54
Dry whole milk, pounds	Ct.	82.3	90.7	92.6	94.9	97.3	89.8	103.3	105.0	105.2
Nonfat dry milk, pound	Ct.	67.9	71.5	72.4	73.2	74.7	71.4	80.1	80.7	83.6
Dairy products (BLS)	1967=100	175.9	190.8	192.9	197.0	199.6	188.4	215.2	218.3	218.2
Retail prices (BLS):										
Consumer price index 5/	1967=100	184.5	197.7	199.3	200.9	202.0	195.4	221.1	223.4	225.4
All food 5/	1967=100	194.4	215.4	215.6	216.8	217.8	211.4	236.3	237.1	238.2
All dairy products 5/	1967=100	176.2	186.1	188.8	191.1	193.2	185.6	208.6	211.3	213.3
Fluid milk and cream	12/77=100	---	105.1	106.5	107.8	108.9	104.8	117.7	119.0	120.3
Whole milk	1967=100	163.4	172.1	174.2	176.5	178.4	171.7	192.8	195.4	197.6
Other	12/77=100	---	105.1	106.6	107.6	108.5	104.5	117.4	118.1	119.2
Manufactured dairy products	12/77=100	---	105.3	107.0	108.3	109.7	105.0	118.2	120.1	120.9
Butter	1967=100	165.8	180.7	187.0	189.3	190.7	179.4	203.0	209.9	213.3
Cheese	12/77=100	---	104.8	106.7	107.8	109.4	104.8	118.4	120.1	121.0
Frozen desserts	12/77=100	---	105.5	106.4	108.0	109.4	104.7	117.8	120.1	120.4
Other	12/77=100	---	105.1	105.4	107.0	107.7	104.4	115.4	115.5	116.4
Margarine	1967=100	214.1	230.9	231.9	231.6	232.1	226.1	240.3	245.5	244.4
Stocks, end of month:										
Creamery butter	Mil. lb.	195.4	284.6	266.7	251.8	228.9	---	238.5	218.0	207.1
Cheese, total 6/	Mil. lb.	519.3	523.5	512.8	486.1	456.6	---	548.6	540.6	524.3
Canned milk, unskimmed	Mil. lb.	134.3	134.4	136.0	113.8	84.4	---	131.9	129.5	119.0
Dry whole milk	Mil. lb.	5.8	9.3	7.4	5.3	3.7	---	7.2	6.1	4.9
Total whole milk equivalent 7/	Mil. lb.	9,294	11,179	10,672	10,052	9,215	---	10,403	9,899	9,486
Nonfat dry milk	Mil. lb.	688.3	700.7	681.0	637.1	601.7	---	560.4	549.6	516.3
Commercial disappearance:										
Creamery butter	Mil. lb.	81.5	69.8	83.8	72.8	77.4	903.5	67.5	65.9	67.6
Cheese, American	Mil. lb.	196.3	167.4	163.9	171.7	176.4	2,064.7	186.9	172.0	185.4
Cheese, other than American	Mil. lb.	130.4	143.1	130.7	147.5	156.7	1,655.1	152.7	147.6	154.8
Canned milk, unskimmed	Mil. lb.	66.1	53.3	56.7	91.2	81.4	776.1	68.5	64.3	68.7
Milk in all products	Mil. lb.	10,224	10,213	10,228	10,082	9,943	119,277	10,507	10,157	10,045
Nonfat dry milk	Mil. lb.	57.6	78.2	60.7	52.6	53.4	658.4	76.9	59.8	42.8
USDA net removals:										
Butter	Mil. lb.	7.0	-6.0	-6.3	---	-7.0	112.0	-2.4	---	9.8
Cheddar cheese	Mil. lb.	1.4	3.5	---	---	---	39.7	.3	---	.7
Nonfat dry milk	Mil. lb.	26.4	18.8	7.7	6.9	4.9	285.0	15.0	10.0	18.6
Evaporated milk	Mil. lb.	1.9	1.5	1.1	1.8	1.5	17.6	1.2	1.1	1.1
Total whole milk equivalent	Mil. lb.	162	-86	-127	4	-142	2,743	-44	2	211
Fluid sales, change from year earlier: 8/										
Whole milk	Pct.	-3.8	-2.9	-3.3	-1.8	-3.4	-2.2	-2.0	-4.8	-2.9
Low-fat and skim milk	Pct.	+6.2	+3.4	+3.1	+4.7	+4.8	+4.8	+4.8	+4.4	+5.1
Total fluid milk	Pct.	-.2	-.7	-.9	+.6	-.3	+.2	+.5	-1.5	+0.2
Cream and cream mixtures	Pct.	-2.6	-4.8	-5.2	-4.0	-6.4	-1.5	+.8	+0.6	N.A.

1/ Seasonally adjusted prices as percentage of parity price.
2/ Different series than formerly published.
3/ Ice cream, ice milk, and sherbet.
4/ Includes manufactured products for which current monthly series are available .
5/ For all urban consumers starting January 1978.
6/ Natural, plus process American cheese held by CCC.
7/ Excludes cream and bulk condensed milk.
8/ Daily average sales in Federal and State Marketing areas.
9/ Less than 50,000 pounds.
N.A. Not Available.

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